

# **Benton Harbor – St. Joseph Joint Wastewater Treatment Plant**

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**Financial Report  
with Supplemental Information**

**June 30, 2004**

# **Benton Harbor – St. Joseph Joint Wastewater Treatment Plant**

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## Independent Auditor's Report

Joint Board of Commissioners  
Benton Harbor – St. Joseph  
Joint Wastewater Treatment Plant

We have audited the accompanying basic financial statements of Benton Harbor – St. Joseph Joint Wastewater Treatment Plant as of June 30, 2004 and 2003, and for the years then ended. These financial statements are the responsibility of the Joint Plant's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Benton Harbor – St. Joseph Joint Wastewater Treatment Plant at June 30, 2004 and 2003, and the changes in financial position, including cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis is presented for purposes of additional analysis and is not a required part of the basic financial statements of Benton Harbor – St. Joseph Joint Wastewater Treatment Plant. We did not examine this data and, accordingly, do not express an opinion thereon.

Our audit was conducted for the purpose of forming an opinion on the Joint Plant's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

August 25, 2004

# **Benton Harbor – St. Joseph Joint Wastewater Treatment Plant**

## **Management's Discussion and Analysis**

### **About the Facility**

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant (Joint Plant) serves the Benton Harbor - St. Joseph regional area with wastewater treatment services. The facility is owned by the Cities of Benton Harbor and St. Joseph, as tenants in common. Control, management and operation of the Joint Plant are vested in the Joint Board of Commissioners (Joint Board). The Joint Board consists of eight (8) members with three representatives each from the cities of Benton Harbor and St. Joseph and one (1) member each from Benton Charter Township and the Lake Michigan Shoreline Water and Sewage Treatment Authority. Act 129 of Michigan Public Acts of 1943 is the enabling state legislation authorizing the cities of Benton Harbor and St. Joseph to establish the Joint Board. The Joint Plant is a corporate body under Act 129. Act 129 charges the Joint Board with establishing treatment service rates adequate to pay bonded indebtedness and operating costs.

The Joint Plant provides wastewater treatment services to the owner cities of Benton Harbor and St. Joseph, the townships of Benton, St. Joseph, Lincoln and Royalton, and the villages of Shoreham and Stevensville. The connected service population is approximately 57,140. Treatment capacity of the facility is 15.3 million gallons per day. For the fiscal year ending June 30, 2004, the Joint Plant treated an average flow of 9.04 million gallons per day.

### **Mission Statement and Sources of Revenue**

The Joint Plant's mission is to protect the local water resources through the development and use of sound operating and fiscal practices in the treatment of municipal wastewater. To meet its mission, the Joint Plant must generate sufficient funds through its bulk (wholesale) treatment rate to meet current operating and maintenance costs and long-term capital requirements. The bulk rate charged tributary governmental units for wastewater treatment service is reviewed annually and adjusted periodically by the Joint Board to meet projected needs. For the fiscal year ending June 30, 2004, the bulk treatment rate was \$1,058 per million gallons. The bulk treatment rate provides in excess of ninety-five (95) percent of the Joint Plant's total operating revenue. Revenue contributed by the tributary governmental units is a factor of discharged flow and the bulk treatment rate. Other sources of revenue, in order of magnitude, include Industrial surcharges (high-strength wastewaters), septic tank waste treatment and laboratory fees. Revenue from Industrial surcharges increased during this fiscal year due principally to increased waste loadings from Old Europe Cheese and Dean Specialty Foods Group. The increased loading from Dean Specialty Foods Group resulted from the firm's pretreatment unit being out of service for several months for maintenance and repairs.

# Benton Harbor – St. Joseph Joint Wastewater Treatment Plant

## Management's Discussion and Analysis (Continued)

### Condensed Financial Information

The following table represents condensed information about the Joint Plant's financial position for the past three (3) fiscal years. Total net assets increased by approximately \$1,220,000 between fiscal years 2002-2004. This increase in net assets is reflected by an increase in current assets in the earlier years and an increase in capital assets in this past year. Unrestricted net assets include an amount designated by the board for future construction projects. Investment maturities have been structured to meet these future needs.

	Fiscal Year Ended June 30		
	2004	2003	2002
Current assets	\$ 8,016,083	\$ 7,456,590	\$ 8,460,108
Capital assets	9,522,113	9,452,621	7,888,952
Total assets	17,538,196	16,909,211	16,349,060
Current liabilities	367,488	348,698	401,401
Net assets:			
Invested in capital assets	9,522,113	9,452,621	7,888,952
Unrestricted	7,648,595	7,107,892	8,058,707
Total net assets	<u>\$ 17,170,708</u>	<u>\$ 16,560,513</u>	<u>\$ 15,947,659</u>

# Benton Harbor – St. Joseph Joint Wastewater Treatment Plant

## Management's Discussion and Analysis (Continued)

### Operating Income and Expenses

The Joint Plant's financial position at June 30, 2004 is sound. Operating income from the bulk treatment charges combined with non-operating interest income and revenue from industrial "high-strength" surcharges, laboratory fees and other miscellaneous income was adequate to meet operating expenses. Two major capital improvements, the High Voltage Power Improvements and the Laboratory and Main Equipment Building Improvements, initiated during fiscal year 2003, were completed in 2004. Fiscal year 2005 anticipates bidding and the award of a construction contract for the Digester Renovation and Chlorination Project. The project, with an estimated construction cost of \$6,500,000, is expected to take several years to complete. Project funding will come from reserves and a short-term (5 year) capital equipment lease. Operating income and expense, non-operating income and capital improvement expenditures for the past three (3) fiscal years is presented below.

	Fiscal Year Ended June 30		
	2004	2003	2002
Operating income (treatment charges)	\$ 3,318,546	\$ 2,970,084	\$ 3,375,319
Lab, septic, and miscellaneous billings	69,573	120,204	186,498
Total revenue	3,388,119	3,090,288	3,561,817
Operating and maintenance costs	1,921,538	1,838,408	1,820,006
Depreciation	658,019	576,573	547,612
Administrative and other	281,603	265,067	264,276
Total operating expense	2,861,160	2,680,048	2,631,894
Nonoperating income (interest income)	89,503	202,614	344,745
Nonoperating expense (loss on disposal)	(6,267)	-	-
Total nonoperating income (expense)	83,236	202,614	344,745
Net income	<u>\$ 610,195</u>	<u>\$ 612,854</u>	<u>\$ 1,274,668</u>
Expenditures for capital improvements	<u>\$ 733,778</u>	<u>\$ 2,140,242</u>	<u>\$ 950,450</u>

# **Benton Harbor – St. Joseph Joint Wastewater Treatment Plant**

## **Management's Discussion and Analysis (Continued)**

### **Operating Income and Expenses (Continued)**

As the data indicates, operating income for fiscal 2004 increased by approximately \$298,000 over the previous fiscal year as a result of higher flows from the tributary governmental units and an increase in the bulk treatment rate effective January 1, 2004. Looking forward, operating income is anticipated to rise moderately over the next five (5) years with forecasted increases in the bulk treatment rate. Operating expenses also increased over the previous fiscal year by approximately \$181,000 and are trending upward. The Joint Plant is experiencing increasing difficulty in managing operating costs with rising natural gas and electric rates and increased employee benefit cost – primarily in the area of health insurance premiums. Management recognizes that control over year to year operating costs is essential to the long-term financial health of the facility. Efforts to control operating costs are ongoing. A five (5) year financial plan is employed to forecast revenue, operating and maintenance and capital improvements costs.

### **Nonoperating Interest Income**

In prior years, nonoperating income has significantly contributed to the Joint Plant's overall revenue base. The drop in interest income this past year is a reflection of the historically low interest rates brought about by the Federal Reserve Board to stimulate the national economy. While interest rates moved up slightly during the concluding months of the fiscal year, interest rates are expected to remain below historical levels throughout fiscal year 2005. Funding requirements for the Digester Renovation and Chlorination Project will significantly deplete the Joint Plant's investment portfolio over the next several years, also negatively impacting future nonoperating interest income.

### **Capital Improvements and Funding Requirements**

Funding needs for capital improvements is a significant element in the Joint Plant's financial plan. The facility's five (5) year capital plan calls for the expenditure of \$8,969,000 in facility improvements. Of this amount, \$6,780,000 is currently available to meet capital requirements. The balance of the required funds will be generated through operating revenues and short-term capital equipment leases. For the fiscal year just ended, capital expenditures were primarily related to completion of the Laboratory and High-Voltage Power projects and design work associated with the proposed Digester and Chlorination project.

Looking beyond the next five (5) years, capital improvements totaling an additional \$11,150,000 have been identified. These proposed projects are listed in the Joint Plant's ten (10) year Capital Improvement Plan as found in the Fiscal 2004 Budget. These projected capital needs could be significantly impacted by the on-going Strategic Capital Improvement Plan (SCIP) being prepared for the Joint Plant by Consoer Townsend Envirodyne Engineers. Elements of the SCIP include assessment of the physical condition of the existing plant, a review of projected future service requirements (population, business and residential growth within the Joint Plant's service area), existing treatment process and hydraulic capacity limitations in the facility and identification of capital needs over the next 12 years. The SCIP study is expected to be completed in October 2004 and will provide a roadmap for future capital projects at the Joint Plant.

# **Benton Harbor – St. Joseph Joint Wastewater Treatment Plant**

## **Management's Discussion and Analysis (Continued)**

### **Fiscal Year 2004 Budget Variances**

The 2004 fiscal year ended with actual operating income higher than budgeted income by \$164,000. Operating expenses, on the other hand, closed the year under budget by \$212,000. Savings in budgeted labor expense (\$96,000), chemicals (\$24,000), professional services (\$27,000), and maintenance supplies and contracts (\$27,000) accounted for a majority of this amount. Savings of this magnitude are not anticipated for future budget years. A recently negotiated contract extension with the Joint Plant's land application vendor will stabilize these costs through December of 2006. Supply contract bids during fiscal year 2004 for waste pickle acid and chlorine resulted in lower unit costs for these materials. The subject contracts extend through March 2006 (waste pickle acid) and March 2005 (chlorine). Bids for polymer (anionic and cationic), will be solicited during fiscal year 2005. While natural gas and electric power costs came in below budget, these commodities increased \$59,000 from the prior year. Natural gas continues to set near record highs month to month. Management is considering procuring longer term (2 year) natural gas supply contracts as a means to reduce price and budget volatility going forward.

### **Capital Assets**

An appraisal of the Joint Plant's buildings and equipment is conducted annually for property insurance purposes. The appraisal conducted on January 29, 2004 established the insurable replacement value of the plant at \$32,932,636. To protect this investment in physical assets the Joint Plant has developed and maintains a ten (10) year capital improvement plan. The capital plan, which is updated annually, is directed toward maintaining, improving and expanding the facility. Identified capital improvements total \$8,969,000 over the next five (5) years and \$20,119,000 over ten (10) years. Funding for the proposed improvements is anticipated to come from operating revenue. Long-term bonding is not expected to be employed to fund these improvements. Lease/purchase agreements will, however, be utilized to meet short-term, three (3) to six (6) year cash flow requirements for these projects. The general condition of the physical assets (buildings and equipment) is considered good, but maintaining the capital improvement schedule as proposed will be critical in protecting the long-term value and reliability of these assets. As noted previously, the Joint Plant has engaged Consoer Townsend Envirodyne Engineers to provide an updated Strategic Capital Improvement Plan for the facility. This plan will identify and update capital needs and their associated costs over the next 12 year period. The study is scheduled to be completed in October 2004. Current projected capital expenditures may significantly change as a result of the planning study findings. The Joint Plant is currently debt free.

### **Contacting the Joint Plant's Management**

The purpose of this management discussion is to provide an overview of the current and prospective financial condition of the Joint Plant operations and physical assets. Questions concerning this report may be directed to Allyn M. Ernst, Plant Manager and/or Timothy J. Lynch, Deputy Plant Manager.



# Benton Harbor – St. Joseph Joint Wastewater Treatment Plant

## Statement of Net Assets

	June 30	
	2004	2003
<b>Assets</b>		
Cash (Note 3)	\$ 441,410	\$ 458,824
Investments (Note 3)	6,779,880	6,321,062
Accounts receivable	717,567	495,790
Accrued interest receivable	47,692	158,694
Prepaid expenses	29,534	22,220
Capital assets (Note 4)	9,522,113	9,452,621
Total assets	17,538,196	16,909,211
<b>Liabilities</b>		
Accounts payable	205,338	199,245
Accrued wages payable and other liabilities	162,150	149,453
Total liabilities	367,488	348,698
<b>Net Assets</b>		
Invested in capital assets	9,522,113	9,452,621
Unrestricted (Note 2)	7,648,595	7,107,892
Total net assets	<u><u>\$ 17,170,708</u></u>	<u><u>\$ 16,560,513</u></u>

# Benton Harbor – St. Joseph Joint Wastewater Treatment Plant

## Statement of Revenue, Expenses and Changes in Net Assets

	Year Ended June 30	
	2004	2003
<b>Operating Revenue</b>		
Sewage treatment charges	\$ 3,318,546	\$ 3,038,141
Laboratory fees	29,885	21,810
Miscellaneous	39,688	30,337
Total operating revenue	3,388,119	3,090,288
<b>Operating Expenses</b>		
Operation and maintenance	1,921,538	1,838,408
Depreciation	658,019	576,573
Administrative and other	281,603	265,067
Total operating expenses	2,861,160	2,680,048
<b>Operating Income</b>	526,959	410,240
<b>Nonoperating Revenue (Expenses)</b>		
Interest earnings on investments	89,503	202,614
Loss on disposal of capital asset	(6,267)	-
Total nonoperating income	83,236	202,614
<b>Net Income</b>	610,195	612,854
<b>Net Assets - Beginning of year</b>	16,560,513	15,947,659
<b>Net Assets - End of year</b>	<u>\$ 17,170,708</u>	<u>\$ 16,560,513</u>

# Benton Harbor – St. Joseph Joint Wastewater Treatment Plant

## Statement of Cash Flows

	Year Ended June 30	
	2004	2003
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	\$ 3,166,342	\$ 3,257,412
Cash payments to suppliers for goods and services	(1,142,920)	(1,141,259)
Cash payments to employees for services	(1,048,745)	(1,034,350)
Net cash provided by operating activities	974,677	1,081,803
<b>Cash Flows from Capital and Related Financing Activities</b>		
Payments for acquisition or construction of capital assets	(733,778)	(2,140,242)
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	3,881,549	1,746,950
Payments for purchase of investments	(3,301,535)	(1,897,141)
Interest received on investments	200,505	213,794
Net cash provided by investing activities	780,519	63,603
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,021,418	(994,836)
<b>Cash and Cash Equivalents - Beginning of year</b>	5,282,945	6,277,781
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 6,304,363</b>	<b>\$ 5,282,945</b>

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# Benton Harbor – St. Joseph Joint Wastewater Treatment Plant

## Statement of Cash Flows (Continued)

	Year Ended June 30	
	2004	2003
<b>Reconciliation of Operating Income to Cash Flows from Operating Activities</b>		
Operating income	\$ 526,959	\$ 410,240
Adjustments to reconcile operating income to net cash from operating activities - Changes in assets and liabilities:		
Depreciation	658,019	576,573
(Increase) decrease in assets:		
Accounts receivable	(221,777)	167,124
Prepaid expenses	(7,314)	(19,431)
Increase (decrease) in liabilities:		
Accounts payable	6,093	(51,009)
Accrued wages and other liabilities	12,697	(1,694)
Net cash provided by operating activities	<u><b>\$ 974,677</b></u>	<u><b>\$ 1,081,803</b></u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>		
Unrestricted cash	\$ 441,410	\$ 458,824
Investments - cash equivalents	5,862,953	4,824,121
Total cash and cash equivalents	<u><b>\$ 6,304,363</b></u>	<u><b>\$ 5,282,945</b></u>

**Noncash operating, capital and investing activities** – During the year there were no noncash activities.

# Benton Harbor – St. Joseph Joint Wastewater Treatment Plant

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## Notes to Financial Statements June 30, 2004 and 2003

### Note 1 – Nature of Entity

Benton Harbor – St. Joseph Joint Wastewater Treatment Plant (the “Joint Plant”) is a joint venture of the Cities of Benton Harbor and St. Joseph, Michigan and was created pursuant to Public Act 129, Michigan Public Acts of 1943. Its allowed purpose is to acquire and operate a sewage disposal system. The Joint Plant currently operates a sewage transportation and processing system to these communities as well as for surrounding municipalities.

The Internal Revenue Service has ruled that the Joint Plant is a political subdivision of the State of Michigan and, as a result, is exempt from Federal Income Tax.

### Note 2 – Summary of Significant Accounting Policies

The accounting policies of the Benton Harbor – St. Joseph Joint Wastewater Treatment Plant conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of significant accounting policies:

**Reporting Entity** – The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in a reporting entity. In accordance with these guidelines, there are no component units to be included in the financial statements.

**Basis of Accounting** - The accrual basis of accounting is used to account for the operations of the Joint Plant. The Joint Plant follows all pronouncements of the Governmental Accounting Standards Board and those of the Financial Accounting Standards Board issued prior to November 30, 1989.

**Operating Revenue** – Operating revenue represents billings to area municipalities based on flow rates metered by the Joint Plant as well as charges to local businesses for extra strength industrial processing.

**Capital Assets** - Property, plant and equipment are stated at cost. Depreciation has been charged as an expense against operations of the Joint Plant on a straight-line basis.

# Benton Harbor – St. Joseph Joint Wastewater Treatment Plant

## Notes to Financial Statements June 30, 2004 and 2003

### Note 2 – Summary of Significant Accounting Policies (Continued)

**Cash Equivalents** - The Joint Board considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

**Investments** - Investments are recorded at fair value, based on quoted market prices.

**Unrestricted Net Assets** – The Joint Plant, through Board action, has designated the use of unrestricted net assets as follows:

	2004	2003
Designated for future repairs and replacements	\$ 5,500,000	\$ 5,500,000
Undesignated and unallocated	<u>2,148,595</u>	<u>1,607,892</u>
Total unrestricted net assets	<u>\$ 7,648,595</u>	<u>\$ 7,107,892</u>

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

# Benton Harbor – St. Joseph Joint Wastewater Treatment Plant

## Notes to Financial Statements June 30, 2004 and 2003

### Note 3 – Cash and Investments

The Joint Plant's cash and investments are included in the balance sheet under the following classifications:

	June 30,	
	2004	2003
Cash	\$ 441,410	\$ 458,824
Investments	<u>6,779,880</u>	<u>6,321,062</u>
Total	<u>\$ 7,221,290</u>	<u>\$ 6,779,886</u>

The above amounts are classified by Governmental Accounting Standards Board Statement Number 3 in the following categories:

	June 30,	
	2004	2003
Deposits	\$ 6,304,363	\$ 5,282,945
Investments	<u>916,927</u>	<u>1,496,941</u>
Total	<u>\$ 7,221,290</u>	<u>\$ 6,779,886</u>

The Authority's deposits and investments are comprised of the following:

	2004		2003	
	Deposits	Investments	Deposits	Investments
Unrestricted	\$ 3,729,363	\$ 916,927	\$ 2,707,945	\$ 1,496,941
Designated for future repair and replacement of capital assets	<u>2,575,000</u>	<u>-</u>	<u>2,575,000</u>	<u>-</u>
Totals	<u>\$ 6,304,363</u>	<u>\$ 916,927</u>	<u>\$ 5,282,945</u>	<u>\$ 1,496,941</u>

Interest rates on the certificates of deposit ranged from 1.73 percent to 2.73 percent at June 30, 2004 and 1.50 percent to 5.20 percent at June 30, 2003.

# Benton Harbor – St. Joseph Joint Wastewater Treatment Plant

## Notes to Financial Statements June 30, 2004 and 2003

### Note 3 – Cash and Investments (Continued)

Interest rates on the Treasury bills and U.S. Agency notes ranged from 2.17 to 3.91 percent at June 30, 2004 and 1.50 percent to 4.00 percent at June 30, 2003.

All investments are held directly by or in safekeeping by banks or savings and loan associations in the name of the Joint Board. The deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$6,399,981 and \$5,525,122 at June 30, 2004 and 2003, respectively. Of those amounts, \$800,000 and \$700,000 for fiscal 2004 and 2003, respectively was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

The Joint Plant's investments are categorized to give an indication of the level of risk assumed by the entity at June 30, 2004 and 2003. Risk Category 1 includes those investments that meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the Joint Plant or its agent

All of the Joint Plant's investments are Category 1 investments.

### Note 4 – Capital Assets

Capital asset activity for the year ended June 30, 2004, was as follows:

	2003	Additions	Disposals	2004	Depreciable Life - Years
Land	\$ 24,161	\$ -	\$ -	\$ 24,161	-
Land improvements	104,032	-	-	104,032	10-25
Buildings	11,180,033	1,645,619	-	12,825,652	30-50
Equipment	6,222,903	996,616	(510,621)	6,708,898	4-25
Construction in progress	2,634,590	657,228	(2,565,686)	726,132	-
Total	20,165,719	3,299,463	(3,076,307)	20,388,875	
Less accumulated depreciation	(10,713,098)	(658,019)	504,355	(10,866,762)	
Net carrying amount	<u>\$ 9,452,621</u>	<u>\$ 2,641,444</u>	<u>\$ (2,571,952)</u>	<u>\$ 9,522,113</u>	



# Benton Harbor – St. Joseph Joint Wastewater Treatment Plant

## Notes to Financial Statements June 30, 2004 and 2003

### Note 4 – Capital Assets (Continued)

The Joint Plant had commitments as of June 30, 2004 as follows:

	Spent to Date	Remaining Commitment
Laboratory improvement project	\$ 1,288,239	\$ 78,610
High voltage power project	378,396	32,036
Miscellaneous	4,800	41,822

### Note 5 – Defined Benefit Pension Plan

#### Plan Description

The Benton Harbor – St. Joseph Joint Wastewater Treatment Plant contributes to the City of St. Joseph Employees Retirement System, a multi-employer defined benefit pension plan administered by the City of St. Joseph. The Plan provides retirement, disability and death benefits to plan members and their beneficiaries. The plan issues a publicly available financial report that is included in the general purpose financial statements of the City of St. Joseph. That report may be obtained by writing to the City of St. Joseph, Broad Street, St. Joseph, Michigan.

The obligation to contribute to and maintain the system for these employees was established by a resolution of the Joint Plant's Board of Directors and requires a contribution from the employees of 4 percent of gross wages. The Joint Plant is required to contribute at actuarially required rates; there is no current required contribution. The Joint Plant made no contributions to the pension plan for the years ending June 30, 2004, 2003 and 2002, and which equaled actuarially required contributions for each year.

# Benton Harbor – St. Joseph Joint Wastewater Treatment Plant

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Notes to Financial Statements  
June 30, 2004 and 2003

## Note 6 – Risk Management

The Joint Plant is exposed to various risks of loss related to property loss, torts, errors and omissions, unemployment claims and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Joint Plant participates in the following risk management plans sponsored by the Michigan Municipal League to minimize its exposure to loss in these areas:

- Michigan Municipal Liability and Property Pool - property, general liability, errors and omissions and automotive coverage
- Municipal Unemployment Compensation Group Account
- Michigan Municipal Workers' Compensation Fund
- Michigan Municipal League Cluster for Employee Medical Benefits - Blue Cross/Blue Shield and vision coverage

The Joint Plant has also purchased commercial insurance coverage for dental benefits (all employees) and short-term disability benefits for unionized employees.

The Michigan Municipal League operates/administers the referenced risks management plans for local units of government in Michigan; members premiums are used to support the risk pools, underlying coverage, to purchase commercial excess insurance coverage, and to pay claims in excess of deductible amounts.

Settled claims relating to the various risk pools or commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

## Supplemental Information

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# Benton Harbor – St. Joseph Joint Wastewater Treatment Plant

## Schedule of Treatment Charges – Budget and Actual Year Ended June 30, 2004

	Original and Amended Budget	Actual	Variance Favorable (Unfavorable)
Benton Harbor Billings:			
City of Benton Harbor	\$ 591,000	\$ 561,567	\$ (29,433)
Benton Charter Township	947,000	957,503	10,503
St. Joseph Charter Township	<u>102,000</u>	<u>101,388</u>	<u>(612)</u>
Total Benton Harbor billings	1,640,000	1,620,458	(19,542)
St. Joseph Billings:			
City of St. Joseph	673,000	746,447	73,447
Lake Michigan Shoreline Authority	<u>825,000</u>	<u>857,181</u>	<u>32,181</u>
Total St. Joseph billings	1,498,000	1,603,628	105,628
Industrial surcharge	<u>36,000</u>	<u>94,460</u>	<u>58,460</u>
Total sewage treatment charges	<u><b>\$ 3,174,000</b></u>	<u><b>\$ 3,318,546</b></u>	<u><b>\$ 144,546</b></u>

# Benton Harbor – St. Joseph Joint Wastewater Treatment Plant

## Schedule of Operating Expenses – Budget and Actual Year Ended June 30, 2004

	Original and Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Operation and Maintenance</b>			
Payroll expenses	\$ 1,157,600	\$ 1,061,442	\$ 96,158
Operating supplies	98,700	74,869	23,831
Repair and maintenance supplies	32,000	21,287	10,713
Sludge handling	250,000	239,402	10,598
Transportation	10,900	8,157	2,743
Repair and maintenance contracts	110,000	93,788	16,212
Public utilities	450,000	422,593	27,407
<b>Total operation and maintenance</b>	<b>\$ 2,109,200</b>	<b>\$ 1,921,538</b>	<b>\$ 187,662</b>
<b>Administrative and Other</b>			
Professional services	\$ 69,000	\$ 41,515	\$ 27,485
Office supplies	7,500	5,477	2,023
Printing and publishing	1,000	348	652
Insurance and bonds	45,900	44,244	1,656
Billing charges	159,600	161,231	(1,631)
Miscellaneous	25,000	28,788	(3,788)
<b>Total administrative and other</b>	<b>\$ 308,000</b>	<b>\$ 281,603</b>	<b>\$ 26,397</b>